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SENATE BILL 706

47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005

INTRODUCED BY

Timothy Z. Jennings

AN ACT

RELATING TO TAXATION; MAKING A TECHNICAL CORRECTION TO THE
DEFINITION OF PRODUCED WATER FOR THE PURPOSE OF A TAX CREDIT
FOR PRODUCED WATER; EXTENDING A DELAYED REPEAL.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 7-2-18.9 NMSA 1978 (being Laws 2002,
Chapter 91, Section 1) is amended to read:

"7-2-18.9. CREDIT FOR PRODUCED WATER.--

A. An operator who files an individual New Mexico
income tax return who is not a dependent of another taxpayer
may take a tax credit in an amount equal to one thousand
dollars (\$1,000) per acre-foot of produced water not to exceed
four hundred thousand dollars (\$400,000) per year if the
following conditions are met:

- (1) the operator delivers the water to the

1 interstate stream commission at the Pecos river in compliance
2 with the applicable requirements of New Mexico's Water Quality
3 Act, New Mexico's water quality control commission regulations
4 and federal clean water acts;

5 (2) the operator delivers the water solely in
6 a manner approved by the interstate stream commission to
7 contribute to delivery obligations pursuant to the Pecos River
8 Compact; and

9 (3) upon delivery to the interstate stream
10 commission at the Pecos river, title is transferred to the
11 interstate stream commission, which shall indemnify the
12 operator from future liability.

13 B. A husband and wife who file separate returns for
14 a taxable year in which they could have filed a joint return
15 may each claim only one half of the credit that would have been
16 allowed on a joint return.

17 C. The tax credit provided in this section may only
18 be deducted from the operator's personal income tax liability.
19 Any portion of the tax credit provided in this section that
20 remains unused at the end of the operator's taxable year may be
21 carried forward for three consecutive taxable years.

22 D. As used in this section, "produced water" means
23 water produced from oil or gas drilling and production from a
24 depth of two thousand five hundred feet or more below the
25 surface or from refining crude oil or processing natural gas.

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underscored material = new
[bracketed material] = delete

1 E. As used in this section, "operator" means a
2 refinery, a natural gas processor or a person who operates an
3 oil or gas well.

4 F. The interstate stream commission shall provide
5 legal confirmation of receipt of the water from the operator,
6 and the operator shall provide documentation to the department
7 to prove eligibility for the tax credit provided in this
8 section."

9 Section 2. Section 7-2A-20 NMSA 1978 (being Laws 2002,
10 Chapter 91, Section 2) is amended to read:

11 "7-2A-20. CREDIT FOR PRODUCED WATER.--

12 A. An operator that files a New Mexico corporate
13 income tax return may take a tax credit in an amount equal to
14 one thousand dollars (\$1,000) per acre-foot of produced water
15 not to exceed four hundred thousand dollars (\$400,000) per year
16 if the following conditions are met:

17 (1) the operator delivers the water to the
18 interstate stream commission at the Pecos river in compliance
19 with the applicable requirements of New Mexico's Water Quality
20 Act, New Mexico's water quality control commission regulations
21 and federal clean water acts;

22 (2) the operator delivers the water solely in
23 a manner approved by the interstate stream commission to
24 contribute to delivery obligations pursuant to the Pecos River
25 Compact; and

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underscored material = new
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1 (3) upon delivery to the interstate stream
2 commission at the Pecos river, title is transferred to the
3 interstate stream commission, which shall indemnify the
4 operator from future liability.

5 B. The tax credit provided in this section may only
6 be deducted from the operator's corporate income tax liability.
7 Any portion of the tax credit provided in this section that
8 remains unused at the end of the operator's taxable year may be
9 carried forward for three consecutive taxable years.

10 C. As used in this section, "produced water" means
11 water produced from oil or gas drilling and production from a
12 depth of two thousand five hundred feet or more below the
13 surface or from refining crude oil or processing natural gas.

14 D. As used in this section, "operator" means a
15 refinery, a natural gas processor or a person who operates an
16 oil or gas well.

17 E. The interstate stream commission shall provide
18 legal confirmation of receipt of the water from the operator,
19 and the operator shall provide documentation to the department
20 to prove eligibility for the tax credit provided in this
21 section."

22 Section 3. Laws 2002, Chapter 91, Section 3 is amended to
23 read:

24 "Section 3. DELAYED REPEAL.--Sections 1 and 2 of this act
25 are repealed effective January 1, [2006] 2009."

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